

AUTHORIZING THE LEASE AND PURCHASE BY THE UNITED STATES OF THE YOUNG MEN'S CHRISTIAN ASSOCIATION BUILDING AND PREMISES IN PHOENIX, ARIZ.

JUNE 21, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DAWSON, from the Committee on Expenditures in the Executive Departments, submitted the following

REPORT

[To accompany S. 718]

The Committee on Expenditures in the Executive Departments, to whom was referred the bill (S. 718) to authorize the lease and purchase by the United States of the Young Men's Christian Association Building and premises in Phoenix, Ariz., companion bill to H. R. 4081, introduced by Representative John R. Murdock, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

Your committee concurs with the recommendations of the Senate and adopts the report of the Senate, as set forth in Senate Report No. 319, Eighty-second Congress, first session, which is attached and made a part hereof.

[S. Rept. No. 319, 82d Cong., 1st sess.]

The Committee on Expenditures in the Executive Departments, to whom was referred the bill (S. 718) to authorize the lease and purchase by the United States of the Young Men's Christian Association Building and premises in Phoenix, Ariz., having considered the same, report favorably thereon with an amendment, and recommend that the bill do pass.

The amendment adopted by the committee is the insertion of the following new sentence on page 2, line 15: "The rentals and the purchase price to be paid by the United States pursuant to this Act shall not exceed \$290,000 in the aggregate." This amendment is intended to place a limitation or ceiling on the purchase price so that the General Services Administration will not exceed \$290,000 as payment for the property, including principal and interest.

GENERAL STATEMENT

The purpose of the bill is to authorize the Administrator of General Services to negotiate and enter into a lease-purchase agreement providing for the lease to the United States for a term of 5 years, the Young Men's Christian Association Build-

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ing and premises in Phoenix, Ariz., as particularly described in the bill. Under the lease-purchase agreement title to the property would vest absolutely in the United States upon the expiration of the 5-year term.

This bill will permit the Administrator of General Services to execute a lease-purchase agreement with the YMCA officials. However, it is discretionary and does not bind the Government to enter into such a lease unless the Administrator, upon appraisal of the property, deems it advantageous for the Government to acquire the property under the authorized lease-purchase agreement.

The property covered by this bill consists of a lot 140 by 220 feet, located on the northeast corner of Second Avenue and Monroe Street, in Phoenix, Ariz. There are approximately 31,000 square feet in the parcel of land on which a three-story brick and stucco building is located which contains about 27,000 square feet of usable office space. The building was constructed in 1909, and except for wear and tear, is in excellent condition and structurally sound. This property is in the downtown business area of the city of Phoenix. It is adjacent to the Federal building, Water Users Association property, and a city park, which make up the entire area of block 93.

The General Services Administration has informed your committee that additional space for the accommodation of Federal agencies is presently required in Phoenix. The need for additional space is for housing permanent Federal agencies located in that city. The Administration reported that it is familiar with the property which is the subject of the bill and believes that the acquisition of the property by the United States would materially aid in meeting present and future space requirements of the Government.

Your committee was informed that at present the Federal Government leases 83,700 square feet of office space, in the city of Phoenix, and pays \$148,326 per annum as rental for such space. The minimum Federal rental is 60 cents per square foot and the maximum is in excess of \$3 per square foot per annum. The average cost of the space is approximately \$1.77 per square foot per annum. Should this bill be approved it is proposed to vacate the high-cost space rented from private concerns and move such employees together with other expanded Federal activities into the YMCA Building.

The committee understands that there is need for providing approximately 154,000 additional square feet of space for Government activities, exclusive of the postal service, over and above the combined capacity of the present United States Post Office Building and United States Courthouse to meet the over-all permanent requirements of the Government in Phoenix. The committee is therefore of the opinion that the acquisition of the Young Men's Christian Association Building, to provide 27,000 square feet for immediate use, and the site for future expansion, would facilitate the consolidation of Federal agencies into a central area in Phoenix.

The lease-purchase arrangements provided for by the bill would afford a flexible and convenient method of acquisition of the property, which could not be put into effect without the exception (provided for in sec. 1 of the bill) from the inhibition contained in section 322 of the so-called Economy Act of June 30, 1932 (47 Stat. 412, 40 U. S. C. 278z), as amended, upon payment of rental for buildings occupied for Government purposes in excess of the per annum rate of 15 percent of the fair market value of the rented premises at the date of the lease, nor permit the expenditure of appropriated funds for procurement of real property, unless specifically authorized by Congress.

The purchase price indicated in this bill is based on an appraisal made in 1947 by a local real estate committee appointed for the purpose of making an independent appraisal.

The YMCA officials indicated that they would prefer selling the property to the Government because of its close proximity to the Federal Building. However, since the committee recognized the general increase in the value of real property in Phoenix together with the fact that any lease-purchase arrangement entered into would not carry interest, it seemed equitable to place a maximum of \$290,000 as the purchase price of the property.

CONCLUSION

To summarize the need for the legislation it may be stated (1) that the annual rental proposed under this bill will exceed the 15 percent maximum annual rent of the fair market value of the property rented as restricted under section 322 of the Economy Act of 1932, and (2) there is no authority of law which will authorize the GSA to execute a lease-purchase agreement, nor permit the expenditure of appropriated funds for procurement of real property, unless specifically authorized by Congress.

ANALYSIS OF S. 718

Section 1 would authorize the Administrator of General Services, without regard to the provisions of section 322 of the act of June 30, 1932, as amended, to negotiate and enter into a lease-purchase agreement providing for the lease to the United States for a term of 5 years, the Young Men's Christian Association Building and premises in Phoenix, Ariz., as particularly described in section 1, together with all structures thereon and appurtenances thereto, and providing further for the vesting in the United States absolutely of title to the leased property upon expiration of the 5-year term.

Section 2 provides that the agreement shall provide for the "payment of rental and other consideration" in such amounts and at such times and shall contain such other terms and conditions as the Administrator of General Services in his discretion shall deem to be in the best interest of the United States. The Bureau of the Budget in its letter of February 16, 1951, conveying its view to the chairman of the committee on S. 718 stated that it would appear desirable for the term "other consideration" in section 2 to be clarified "so as to assure that the amount authorized to be paid by the Government shall not exceed the 5-year rental figure." The committee has adopted an amendment providing that "The rentals and the purchase price to be paid by the United States pursuant to this Act shall not exceed \$290,000 in the aggregate." The payments which would be made by the Government would consist not only of rental in the strict sense of that term but would also include moneys on account of the purchase price of the property as well also as payments in respect of insurance, etc. The committee is not therefore apprehensive of the likelihood of any excess amounts being paid by the Administrator of General Services, and believes that it will be advantageous to leave to his discretion the working out of the necessary incidents of the lease-purchase agreement in the flexible manner authorized by section 2.

The first part of section 3 requires that payments becoming due from the Government in pursuance of any agreement entered into under the authority of the measure shall be paid from appropriations available to the General Services Administration for the payment of rents. The second part of section 3 authorizes appropriation of such additional funds as may be necessary to provide for such payments. Thus the section impresses the committee as being sound and business-like in its provisions.

AGENCY COMMENTS

This proposal has been submitted to the General Services Administration, Bureau of the Budget, and General Accounting Office for their views as to the merit and propriety of the proposed legislation. All of these agencies have reported favorably on the bill.

There is attached hereto and made a part of this report letters received by the chairman from the Acting Comptroller General of the United States, the Acting Administrator of General Services, and the Director of the Bureau of the Budget:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, February 9, 1951.

Hon. JOHN L. McCLELLAN,
Chairman, Committee on Expenditures in the Executive Departments,
United States Senate.

MY DEAR MR. CHAIRMAN: Reference is made to your letter of January 31, 1951, acknowledged by telephone February 2, 1951, requesting the views of this Office as to the merits of S. 718, Eighty-second Congress, entitled "A bill to authorize the lease and purchase by the United States of the Young Men's Christian Association Building and premises in Phoenix, Ariz."

Section 1 of the bill would authorize the Administrator, General Services Administration, to negotiate and enter into a 5-year lease-purchase agreement for the Young Men's Christian Association Building and premises, Phoenix, Ariz., without regard to the provisions of section 322 of the Economy Act of June 30, 1932 (47 Stat. 412), said lease-purchase agreement to provide further for the vesting of title to the leased premises in the United States absolutely upon the expiration of the 5-year term. Section 2 provides that the agreement authorized by section 1 shall provide for the payment of rental and other consideration in such amounts and at such times and shall contain such other terms and conditions as the Administrator of General Services Administration, in his discretion, shall deem to be in the best interest of the United States. Section 3 provides that payments that shall become due from the United States pursuant to any agreement entered into under authority of the act shall be paid from appropriations

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available to General Services Administration for the payment of rents and authorizes the appropriation of such additional funds as may be necessary to provide for such payments.

This Office has no information as to the need or desirability of the proposed legislation and, therefore, I make no recommendation with respect to the enactment of S. 718.

Sincerely yours,

FRANK L. YATES,
Acting Comptroller General of the United States.

GENERAL SERVICES ADMINISTRATION,
Washington, February 20, 1951.

HON. JOHN L. MCCLELLAN,
*Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.*

DEAR SENATOR MCCLELLAN: Reference is made to your letter of January 31, 1951, in which you request the opinion of the General Services Administration as to the merits of S. 718, a bill to authorize the lease and purchase by the United States of the Young Men's Christian Association Building and premises in Phoenix, Ariz.

The bill proposes to authorize the Administrator of General Services to negotiate and enter into a lease-purchase agreement providing for the lease to the United States for a term of 5 years of the Young Men's Christian Association Building and premises in Phoenix, Ariz., as particularly described in the bill, and providing further for the vesting in the United States absolutely of title to the leased property upon expiration of the 5-year term. The agreement would contain such terms and conditions governing payments and other obligations as the Administrator may deem to be in the best interest of the United States.

Additional space for the accommodation of Federal agencies is presently required in Phoenix, and the need is not regarded as temporary. This Administration is familiar with the property which is the subject of S. 718, and believes that acquisition of the property by the United States would go far toward meeting requirements. The lease-purchase arrangement provided for by the bill affords a flexible and convenient mode of acquisition, which could not be put into effect without the exception (provided for in sec. 1 of the bill) from the inhibition contained in section 322 of the act of June 30, 1932, upon payment of rental for buildings occupied for Government purposes in excess of the per annum rate of 15 percent of the fair market value of the rented premises at the date of the lease.

The General Services Administration recommends favorable report by your committee on S. 718 and early enactment thereof by the Congress.

The Bureau of the Budget, in advising that there is no objection to the submission of this report to your committee, has informed us that the Director of the Bureau is writing to you regarding the bill.

Sincerely yours,

RUSSELL FORBES,
Acting Administrator.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., February 16, 1951.

HON. JOHN L. MCCLELLAN,
*Chairman, Committee on Expenditures in the Executive Departments,
United States Senate, Washington, D. C.*

MY DEAR SENATOR MCCLELLAN: This is in reply to your letter of January 31, 1951, requesting my views with respect to S. 718, a bill to authorize the lease and purchase by the United States of the Young Men's Christian Association Building and premises in Phoenix, Ariz.

The Administrator of General Services has been advised this date that there would be no objection to the presentation of his proposed favorable report on the bill which would authorize the acquisition by the Federal Government of the property in question under a 5-year lease-purchase agreement without regard to the provisions of section 322 of the act of June 30, 1932, limiting the rental which may be paid by the Government to a rate not in excess of 15 percent of the fair market value of the property.

It is noted that under section 1 of the bill, title to the leased property vests absolutely in the United States upon expiration of the 5-year term, and that section 2 thereof provides for the payment of rental and "other consideration." It would appear desirable that the term "other consideration" be clarified so as to assure that the amount authorized to be paid by the Government shall not exceed the 5-year rental figure.

In connection with this bill, I may say that the Administrator of General Services is now giving consideration to proposing a general measure which would authorize the Government to enter into long-term lease-purchase agreements. While the development of such general legislation might permit ultimate accomplishment of the objective of S. 718, and would, of course, be preferable to separate legislation such as this bill, the committee may desire to give immediate consideration to S. 718 in view of the present availability of this particular property.

Sincerely yours,

F. J. LAWTON, *Director.*

APPENDIX

For ready reference there is attached hereto and made a part of this report section 322 of the act of June 30, 1932, which prohibits leasing of real property in excess of 15 percent of fair market value of the rental premises:

"LEASE OF BUILDINGS TO GOVERNMENT; MAXIMUM RENTAL

"After June 30, 1932, no appropriation shall be obligated or expended for the rent of any building or part of a building to be occupied for Government purposes at a rental in excess of the per annum rate of 15 per centum of the fair market value of the rented premises at date of the lease under which the premises are to be occupied by the Government nor for alterations, improvements, and repairs of the rented premises in excess of 25 per centum of the amount of the rent for the first year of the rental term, or for the rental term if less than one year: *Provided*, That the provisions of this section shall not apply to leases made prior to June 30, 1932, except when renewals thereof are made after such date, nor to leases of premises in foreign countries for the foreign services of the United States: *Provided further*, That the provisions of this section as applicable to rentals, shall apply only where the rental to be paid shall exceed \$2,000 per annum. (June 30, 1932, ch. 314, § 322, 47 Stat. 412; Mar. 3, 1933, ch. 212, title II, § 15, 47 Stat. 1517.)"



